Treasury Bills (T-Bills) Results

'Overall auction undersubscribed; New yearly high W.A.Rs[1]'.

- T-Bills are short term debt strategy of the government.

- Reduced demand for T-bill this week across all three traded tenors has resulted in overall undersubscription for the week – its first following two straight oversubscriptions in the last fortnight. The undersubscription reported were K28.7000m, K10.000m and K11.470m for 182, 273 and 364 days tenors respectively.

- Nonetheless, the W.A.Rs for all three traded tenors surged to new yearly highs this week at 5.00% (up 1 bp[2]), 5.60% (up 10 bps) and 7.10% (up 8 bps), extending such weekly W.A.R growth across all three tenors to a third in a row.

- While full allocation was made on the 182 and 273 days' bids this week, the market once again stamped its authority to reject excessive bids that could distort it (the market) by awarding only 91% of K214.130m total bids received under the 364 days tenor.

- Evidently, investors were wary of the Central Bank's predetermined acceptable bid range when pricing their bids. This can be seen in the change in W.A.Rs growth rate over the last three weeks. For instance, 364 days' W.A.R three weeks ago was 19 bps higher before falling to 17 bps higher last week and then to 8 bps higher this week.

- The total successful bids awarded to date is less by K696.180m compared to the total amount offered to date, providing room for further increase in interest rates in coming auctions if all other contributing factors remain fixed.

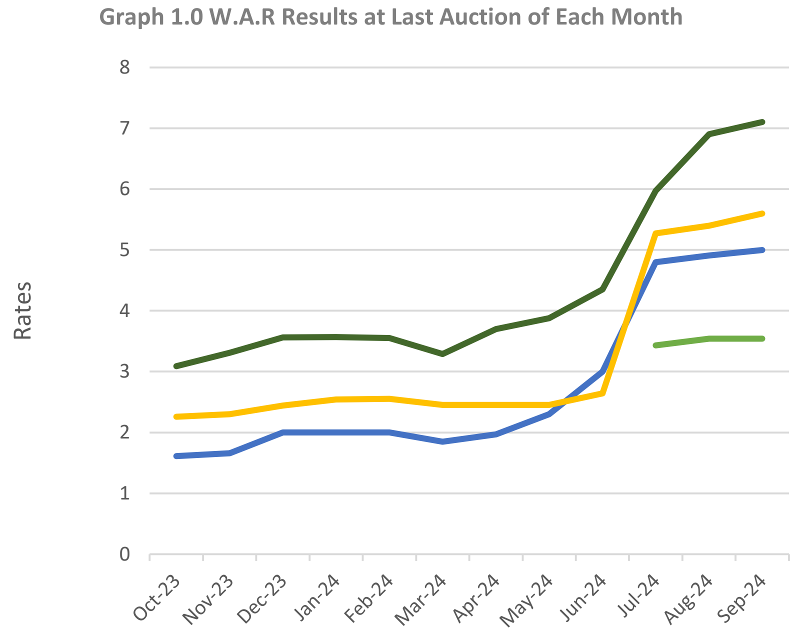
Table 1 – Last Three Auction Results

Auction Results 13 September 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R[1]	3.54%	5.00%	5.60%	7.10%	
Amount on offer (K'm)	0.000	30.000	20.000	225.600	275.600
Bids received (K'm)	0.000	1.300	10.000	214.130	225.430
Successful bids (K'm)	0.000	1.300	10.000	194.130	205.430
Successful bid rate[3]	-	100%	100%	91%	91%

Auction Results 06 September 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R[1]	3.54%	4.99%	5.50%	7.02%	
Amount on offer (K'm)	0.000	30.000	10.000	234.700	274.700
Bids received (K'm)	0.000	31.300	2.000	325.410	358.710
Successful bids (K'm)	0.000	31.300	2.000	325.410	358.710
Successful bid rate[3]	-	100%	100%	100%	100%

Auction Results 30 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R[1]	3.54%	4.91%	5.40%	6.90%	
Amount on offer (K'm)	0.000	50.000	10.000	196.000	256.000
Bids received (K'm)	0.000	75.000	23.000	346.090	444.090
Successful bids (K'm)	0.000	68.000	20.000	260.090	348.090
Successful bid rate[3]	-	91%	87%	75%	78%

Graph 1.0 W.A.R Results at Last Auction of Each Month



	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
91 days										3.43	3.54	3.54
182 days	1.61	1.66	2.00	2.00	2.00	1.85	1.97	2.30	3.00	4.80	4.91	5.00
273 days	2.26	2.30	2.44	2.54	2.55	2.45	2.45	2.45	2.64	5.27	5.40	5.60
364 days	3.09	3.31	3.56	3.57	3.55	3.29	3.70	3.88	4.35	5.97	6.90	7.10

[1] W.A.R = Weighted Average Rate
[2] Basis Points; 100 bps = 1%
[3] Successful bid rate = Successful bids / Bids received

Treasury Bonds (Government Inscribed Stock - GIS)

'September's GIS is tentatively scheduled for the 24th with invitations yet to be released by Central Bank.

- Government Inscribed Stocks (GIS) are a long term debt strategy utilized by the government to finance the deficit budget – The tentative GIS issuance date for 2024 is given in Table 2.
- GIS auction is understood to be delayed into tail end of September however no announcements has been released by the Central Bank.
- The tightening monetary policy stance that led to rising W.A.Rs in the T-bills market compounded with the predominant undersubscription of bonds in the year are expected to drive bond rates higher in coming auctions.
- The amount on offer in the coming auctions is likely go up given last month's cancellation of GIS auction.
- Total successful bids awarded to date is less by K1.387b compared to total amount offered to date.

Table 2 – Domestic Issuance Calendar (GIS)

2024 Treasury Bond Tentative Issuance Schedule

Tentative Issuance Date	Tentative Issuance Amount (K'm)
Tuesday 27 February	800.000
Tuesday 19 March	800.000
Tuesday 23 April	700.000
Tuesday 21 May	600.000
Tuesday 18 June	500.000
Tuesday 23 July	400.000
Tuesday 13 August	400.000
*Tuesday 24th September	150.000
Tuesday 22 November	150.000
Tuesday 19 November	100.900
	4,600.900

*Tentative date

Table 3 – 2024 GIS Auction Results & Change in Rates

Auction results from 16 July 2024

Issuer		Term & rates (Current)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	-	-	-	5.70%	6.10%	6.40%	6.50%	6.70%	6.90%
	Weighted Average Rates	-	-	-	5.70%	0.00%	0.00%	0.00%	0.00%	6.08%

Auction results from 18 June 2024

Issuer		Term & rates (Previous)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.40%	4.60%	-	4.70%	5.10%	5.40%	5.50%	5.70%	5.90%
	Weighted Average Rates	4.93%	5.96%	-	4.69%	5.20%	5.49%	5.57%	5.79%	5.94%

Change in Results

		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	-	-	-	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	Weighted Average Rates	-	-	-	1.01%	-	-	-	-	0.14%

Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

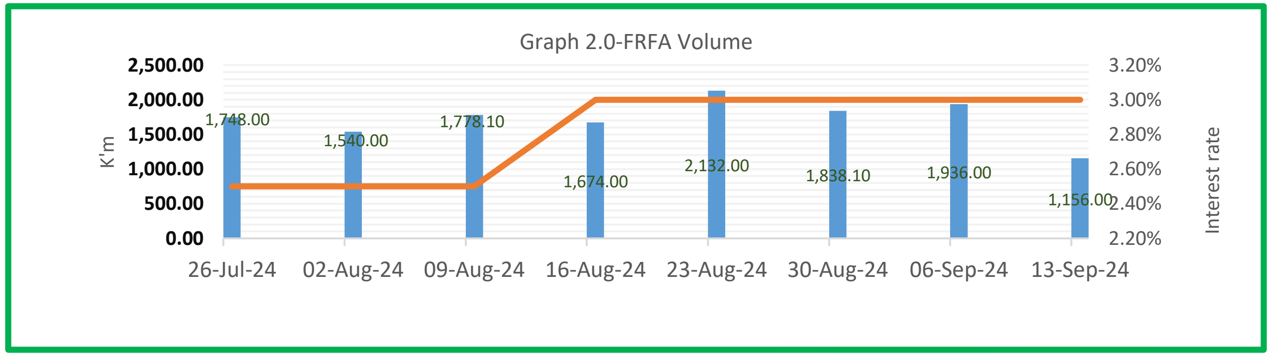
*‘7-Day FRFA CBB W.A.R remain unchanged at **3%** for the second time’.*

- Term deposit rates for all tenors remained unchanged for all issuers – refer Table 4.
- The Central Bank continues to strengthen the monetary policy operational framework by intensifying efforts to mop up excess liquidity and adopt more effective short-term liquidity management instruments. The introduction of 7-Day FRFA Central Bank Bill (CBB) exclusively to authorized deposit takers (ADI) in commercial banks, savings & loans societies and & finance companies is an example.
- The CBB rate remain unchanged at 3% in this auction.
- Full allocation was made on K1,156.000m for total bids received this week.
- With K1,936.000m total CBB maturing this week, there is a net loss of K780.000 (or K1,156.000m - K1,936.000m) by the Central Bank to mop up access liquidity in the market.

Table 4 – Financial Institutions Term Deposit Rates

Issuer	Current Term & Rates					Previous Term & Rates					Change/movement				
Commercial banks	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
BSP	0.55%	0.55%	0.60%	1.05%	1.55%	0.55%	0.55%	0.60%	1.05%	1.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Kina Bank	0.20%	0.45%	0.60%	0.70%	0.90%	0.20%	0.45%	0.60%	0.70%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%
Westpac	0.50%	0.50%	0.50%	1.00%	1.00%	0.50%	0.50%	0.50%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Credit Bank	0.85%	1.15%	1.50%	1.95%	2.35%	0.85%	1.15%	1.50%	1.95%	2.35%	0.00%	0.00%	0.00%	0.00%	0.00%
ADI	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
BSP Finance (PNG)	0.10%	0.10%	0.15%	0.60%	1.10%	0.10%	0.10%	0.15%	0.60%	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%
FinCorp	0.90%	1.15%	1.50%	2.00%	2.35%	0.90%	1.15%	1.50%	2.00%	2.35%	0.00%	0.00%	0.00%	0.00%	0.00%
Moniplus	0.90%	1.20%	1.50%	2.15%	2.45%	0.90%	1.20%	1.50%	2.15%	2.45%	0.00%	0.00%	0.00%	0.00%	0.00%
First Investment Finance	1.00%	1.20%	1.60%	2.20%	2.50%	1.00%	1.20%	1.60%	2.20%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities		91	182	273	364		91	182	273	364		91	182	273	364
Treasury bills (W.A.R)		-	5.00%	5.60%	7.10%		-	4.99%	5.50%	7.02%		-	0.01%	0.10%	0.08%
Central Bank	7	14	28	63	91	7	14	28	63	91	7	14	28	63	91
Central Bank bills (W.A.R)	3.00%	-	-	-	-	3.00%	-	-	-	-	0.00%	-	-	-	-

Graph 2 – FRFA Rates & Volume



Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- The T-bill Tap and T-bond Tap papers remain temporarily closed until further notice.

Table 5 - Long dated papers T-Bill Tap and GIS Tap as at June 2023

Issuer	Term & rates (Current)				
Term (Years)	2	4	8	10	
BPNG Treasury Bond Tap	CLOSED UNTIL FURTHER NOTICE				

Issuer	Term & rates (Previous)				
Term (Days)	63	91	182	273	364
BPNG Treasury Bill Tap	CLOSED UNTIL FURTHER NOTICE				

Funds Management | Capital Advisory

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